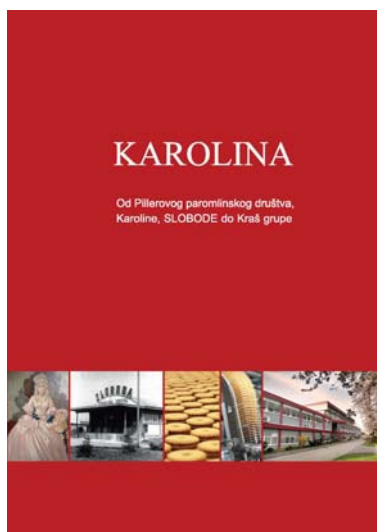


**Zlata Živaković Kerže and Gabriela Dobsai, *KAROLINA: Od Pillerovog paromlinskog društva, Karoline, SLOBODE do Kraš grupe (Prilozi za proučavanje gospodarske povijesti grada Osijeka)* [KAROLINA: From the Piller's Steam Mill Association, Karolina, SLOBODA to the Kraš Group (Contributions to the Research of Economic History of the City of Osijek)] (Slavonski Brod: Hrvatski institut za povijest – Podružnica za povijest Slavonije, Srijema i Baranje, 2017)**

## Summary

Empowering and expanding the trade relations of Osijek with the neighbouring countries motivated some German merchants and tradesmen to visit the city on the Drava River for business purposes, but they also brought their money with them, and permanently settled here. In the 19th century the members of the German family Piller had also found their home among the citizens of Osijek, and later on they left deep traces in business, cultural and social life of the city. Stjepan Piller (1861 - 1925), founder of *Karolina*, became, relatively early, a part of the business scene in Osijek. Since his father Ladislav had successfully run the inn, his entrepreneurial dealing

with the trade put him among the wealthy citizens of Osijek in the late 19th and the beginning of the 20th century. He had successfully developed his business, so, by the end of November 1891, he bought a land in Donji grad (the eastern part of Osijek) and in 1898 built a steam mill named by his wife and daughter - *Karolina*, and after that he built the whole factory complex. In July 1912 he renovated the steam mill and invested his money in the mill industry. The connections of the Piller family with the economic activities are proven in the fact that the company *Stjepan Piller and sons / Stefan Piller und Söhne* was registered on February 28, 1920 as a *Company for milling and catering industry in Osijek*. The owners of the company were Stjepan Piller (founder of *Karolina*) and his sons Ladislav (1891-1960) and Stjepan, elder brother, (1886-1945), the latter continued to successfully run the milling industry after his father's death. Therefore, in 1922, he built a single storey bakery factory in



Donji grad. In the same year the *Karolina* steam mill was also renovated and expanded and the company was registered under the name *Paromlin, pasta, cake and biscuit factory KAROLINA, Stjepan Piller and sons*. In two production lines the factory produced all sorts of biscuits, cakes, wafers and toasts. In the last part of 1926 *Karolina* expanded the production of oblaten (a thin wafers) and wafers, and next year a new factory space was built to house two newly-purchased wafer ovens for the production of oblate. The expansion of the production strengthened the factory finances, so Stjepan Piller (senior) filed a request for the foundation of a joint stock company, which was verified on December 28, 1927. In 1933 the steam mill was separated from *Karolina* and since then the factory has been operating under the new name: *Karolina cake and biscuit factory, Stjepan Piller JSC in Osijek*. In the beginning of 1936 the manager Stjepan Piller took over the bookkeeping, and the management of the company was entrusted to his son Stjepan Piller, junior (1914 - 1946), a member of the managing board. Along with him, the factory was led by Stjepan's four-year younger brother Antun and their mother Marija. During the Second World War it was difficult to purchase the ingredients and raw materials for the production, and there was obviously a lack of skilled workforce. All this resulted in company leadership turning to a new field of work - the production of jams and marmalades. Despite the war difficulties, the results in the production of biscuits and pasta were also satisfactory. After the war had ended, the general economic structure of the post-war Yugoslavia favoured the emergence of centralism. The initial restoration and then the creation of the socialist social order required the introduction of the system of the people's authority and the dispossession of all the holders of assets, often under the disguise of collaborating with the occupiers, and this way the process of termination of all forms of private property was imposed. In June 1945 the *Law on Confiscation of Property and Execution of Confiscation* was passed and a special article of this Law described the procedure of confiscation of property of the citizens of the German origin, i.e. German nationality. In order to carry out the procedure, the owners had to be convicted. Therefore, the trial was carried out *On behalf of the peoples of Yugoslavia* that convicted Stjepan to death and Antun and Marija to long-term imprisonment. After that the process of confiscation of their property and stocks ran very quickly; the company *Karolina cake and biscuit factory, Stjepan Piller JSC* was shut down at the beginning of 1947 when *SLOBODA, biscuit, pasta and jam factory* was registered. It stayed on the same pre-war address and produced biscuits and pasta. In the late '40s a new administration was organised and the Workers' Council elected for the first time. From May 30, 1955, the company changed its name to *SLOBODA, biscuit, wafers and bread factory*. The factory produced biscuits, bread and pastry, and was selling biscuits, bread, pastry and dairy products in their shops. Two years later the glazing line and the

chocolate line was put into practice. Following the economic trends from the spring until the summer of 1959, a new plant was built in *SLOBODA* premises in Miljanovićeve street (present Huttlerova) - Industrial confectionery, which produced tea buns, coconut pouches, various pies, and similar products. As the current production needed expansion and investment, it was apparent at the beginning of the '60s that it could not be realized at the present location, so the management took short-term annual and monthly loans and began building a new factory section in Zeleno polje (east outskirts of Osijek) with all the accompanying facilities, which was finished in 1963. In the new part of the factory equipped with modern machines and production technology of biscuits, wafers, pretzels and rolls, the production expanded to snacks, such as *Bobi* salted sticks, and the newest production line for wafers and there were also three large baking machines for oblate. This allowed the further increase of production and the launching of the new wafer products consisting of two different layers, such as the *JADRO* product. Since mid-February 1965, the factory is named *SLOBODA, biscuit and bread factory - Osijek*. Two years later, the investments were made in the construction of a repair workshop and the extension of the factory, which when completed had a new production area of 1,420 sqm.

During 1968, the construction of a new part of the factory in Zeleno polje was accelerated, and in the old premises there were only the wafer machines left, and the salted products line with a spare space for further expansion of wafers and snacks production. Since then, the excellent results have been achieved by introducing the highly automated lines in the production, in particular biscuits and wafers wrapping machines. At the beginning of 1969 the building of the first floor was completed. In the last months of the same year, a new machine for the wafer products and snacks was purchased, which was necessary to increase production and enable regular maintenance of the existing capacity. At the beginning of the '70s the production line for the stuffed tea buns known as *MOTO* line was launched. The production of bread and pastry did not meet the needs any longer and therefore the reconstruction of the Central bakery in Miljanovićeve street (present Huttlerova) was carried out, and it was rebuilt into a modern bakery of 2,000 sq m. *SLOBODA* invested in the new production lines of biscuits, and gave significant funding in reconstruction and modernization, and all this contributed to the fact that in the '70s with its entire production *SLOBODA* placed as the leader in its branch in the country. Such a shift in production was primarily driven by the market demands, and *SLOBODA* could offer quality products such as *BOBI* salted sticks, *NAPOLITANA* cake, *JADRO* dessert cake and *MOTO* biscuits. In the '80s of the 20th century, the construction of a new high-speed warehouse took place, followed by the continuation of the investments in production and purchase of the new lines, and the relocation of the Confectionery Department

to Zeleno polje. In those years, there was still a lack of certain raw materials and reproduction materials for continuous production (milk powder, peanuts, butter, starch, maize etc.) and a lack of spare parts for machines and reliable sources of energy. Positive trends were also unsatisfactory, since there were serious difficulties with unpaid demands, i.e. longer withdrawal periods for customers. Despite production difficulties, with some of its product sorts *SLOBODA* was among the leading companies at the state level. In manufacturing of chocolate and non-chocolate wafer products *SLOBODA* was the second best behind the Biscuit factory *Josip Kraš*.

The beginning of the '90s marked the crucial historical period. Croatia makes a historic step - it becomes independent and sovereign, but the country also faces a period of brutal atrocities and aggression of the Yugoslav National Army. Permanent artillery attacks on Osijek from July 1991 to January 1992 were constantly followed by the frequent air raids and shelling of the city. The production facilities were for the enemies the main targets of destruction. In October 1991, at the time of the most aggressive attacks, *SLOBODA* switched to the minimum war production of the most needed food products. Due to the unattainable war conditions at the end of the month, the production was suspended, and it was restarted on January 15 next year, despite the war destructions and more than 500 deadly missiles that hit the factory. After regaining peace conditions the Social enterprise *SLOBODA* biscuit and bread factory Osijek, with its own power and funding, repaired the machines and after many months of standstill and the 16th truce agreement on June 17, 1992 managed to normalize the pre-war production of biscuits and related products based on the production of confectionery flour products: biscuits, cakes, bread and other bakery products. The additional activity was the retail trade of food products, vegetables, fruits and their products, alcoholic beverages and household goods. According to the Law on Reorganisation of Companies and the Decision of the Croatian Privatisation Fund Zagreb on January 1, 1994 *SLOBODA* was registered as a joint stock company named *SLOBODA JSC biscuit and bread factory*. It consisted of the Biscuits, wafers and snacks factory (cake production included), Bread factory (with Retail) and Professional services. The production was carried out according to the division of the products: DURABLE GOODS (biscuits, wafers, broccoli, snacks, dry flour products) and NON-DURABLE FRESH AND SEMI-DURABLE GOODS (bread, pastry, cakes). Since 1996, the implementation of the privatization process has started, which brought new investments in existing *SLOBODA* factories in 1997. In the years 2000 and 2001 there were new organizational changes that preceded the commencing of the restructuring and shift of ownership. In the autumn of 2002, the struggle for the acquisition of *SLOBODA JSC* began, and it involved several interested companies. By the end of the year *LURA JSC* Zagreb becomes the majority owner and in the next year the company

operates under the name *LURA - KEKSI biscuits and bread factory Ltd.* In the next few years, the process of complete restructuring of the company took place - integration into the Lura organisation system, closing of the cake factory in 2003, and sales of Retail department in 2004 and closing of the bakery production in Huttlerova street. After that the separation from Lura business functions happened and the creation of the preconditions for independent business, and on May 23, 2005, the company's name was changed to *KAROLINA biscuits, wafers and snack factory*, Limited Liability Company (abbreviated *KAROLINA Ltd.*). During this restructure period, a new assortment policy was implemented, marketing focused on four brands, a change in sales policy, restructuring of the personnel and the appointment of the new management.

At the end of 2005 *LURA JSC* sells its business share in *KAROLINA Ltd.* to the Austrian company *LORENZ BAHLSEN SNACK WORLD Ltd.* Over the next few years, *LORENZ* continues with their further restructuring: in 2006 it left the cleaning and other services in a restaurant business to a specialized legal entity *ICC Integral Servis Ltd.*, and in 2008 outsourced sales and distribution of the final products to the company *Atlantic Trade Ltd. Zagreb*, which was already a distributor of the Lorenz products in this region. With the completion of the restructuring processes it can be concluded that this was a period of financial losses, the production volume decreased by 30%, and the number of employees decreased by 73% in the period from 2002 to 2010.

At the end of 2010, the owner of the *Lorenz Group* sold the company to *KRAŠ JSC* from Zagreb, which bought all material and non-material property except the *Bobi* brand and the large line for the extrusion of products that has still remained the property of the *Lorenz Group*. Immediately after the takeover of *KAROLINA* on March 24, 2011, very significant investment projects in Osijek have been launched and up to the present day more than 8 million euros has been invested in the company. With a record growth in post-war production and the increased number of employees, this time it is clear that the owner *KRAŠ JSC* has serious and positive intentions to improve production, assortment and human potential, taking into account the environment in which it operates, including ecological concerns and socially responsible business.